



February 12, 2020
John Abrams

TESTIMONY FOR HOUSE COMMITTEE ON SMALL BUSINESS "Challenges and Benefits of Employee-owned Small Businesses"

South Mountain, the company I founded nearly a half century ago, is an integrated architecture, engineering, building and solar company. We do all the parts, from beginning to end. For 33 years it has been a worker cooperative; nearly two thirds of the 37 employees share ownership. We balance the triple bottom line of people, planet, and profit – quality, performance, and mission are all more important to us than growth.

The company is built on humble beginnings. I had an older friend and mentor who followed our work in the early days. One day we were showing him a house in progress, and he said "Beautiful work. Artful. And then, "Are you making any money?"

"No," I chuckled, "we seem to lose money on every project we do."

"Well, Abrams," he said, "You've got a unique idea here. Subsidized housing for the rich."

That bombshell inspired me to learn about business – what it is, how to do it, the impact it can have, and how to make fair profits – this pursuit became a passion that has lasted to this day. Now we make subsidized housing for those who need it. We devote ourselves to service – to each other, to the communities we work in, to strengthening our local economy.

In 1987, two long-time employees told me they preferred to spend their careers at SMC rather than going off on their own, but needed more of a stake than an hourly wage. Not long after, I agreed to restructure as a worker co-op – to make a system that would welcome them, and other committed employees over time, to ownership.

To be honest, at the time I thought this was more symbolic than substantive. Nothing could have been further from the truth. Worker ownership has been more far meaningful and valuable than I ever imagined. There's no question in my mind that it has been a critical factor in our modest long-term success.

I believe that owning our work is as essential to a good life as it is to own our homes. As former Treasury Secretary Laurence Summers once remarked, "In the history of the world, no one has ever washed a rented car." Ownership is powerful. When employee owners are making the decisions, it is more likely that companies will stay rooted in place and be positive forces in their local community.

Economist Richard Wolff says, "If our workplaces had been democratized, long ago, would the workers have stopped raising their own wages? Hardly. Would they have destroyed their own jobs by moving production overseas? Doubt it. Would they have employed technologies that pollute the local environment? No, they live there. Would they have allowed some to earn astronomical salaries while the rest got no raises? No way. Our economic history over the last thirty years would have been radically improved if we'd had a different way of organizing our enterprises – with a more cooperative community-focused method that is democratic at its core."

Growing the worker cooperative approach has the potential to positively affect the economy, our democracy, and the quality of working peoples' lives. It is not a stretch to say that the benefits of the democratic workplace may even aid and influence the essential repair of our battered civic landscape – it could change, in effect, the chemistry of our culture. If you spend your days working in an environment of collaboration, mutual respect, and

shared power, it is bound to spill over into other parts of your life – better parenting, more civic engagement, kinder relationships.

Today we are among the highest scoring of the 3,000+ certified B-Corps (among them are socially responsible icons like Patagonia, Ben and Jerry's, and Seventh Generation) and we annually make the B-Lab "Best for the World" list. During the past seven years six first-generation employee owners have retired who, collectively, represent 180 years of employment. Six people, 180 years - that's a kind of stability that is rare in business today. We are deeply engaged in transitioning to our next iteration; as a new group of owners take the reins I'm grateful that we will only have to change leadership, having dealt with the ownership part many years ago.

We often assist companies transitioning to employee ownership. It is not un-complicated, and all companies making this move need technical and legal assistance. The need is great. The Main Street Employee Ownership Act of 2018 was a big step forward, but there is far more to do.

The value and benefits of employee ownership continue to fly under the radar, and you can't take this important step without knowing the option exists. So perhaps the greatest need is extensive education and publicity - the stories of employee ownership successes need to be shared and celebrated. Employee ownership "ambassadors" should be funded to visit companies who are considering transitions - to teach, train, advise, and inspire. Widespread technical assistance should be made available. Employee ownership should be the number one business succession planning option.

But it's not. I hope this committee will build on the good work it has begun and I am grateful for the opportunity to make this request.

I'd be happy to answer any questions you may have.